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Report Highlights:
*MEXICO AND THE UNITED STATES ABOUT TO REACH A SWEETENER DEAL
*MEXICAN IMPORTS OF U.S. BEEF COULD REMAIN BANNED FOR SIX MONTHS
*EXPORT POULTRY MEAT FROM DELAWARE BANNED
*THE GOM LOSES THREE SUGAR MILLS THAT WERE EXPROPRIATED
*THE GOM ANALYZES SHUTTING DOWN BANCOMEXT
*MEXICO SIGNED AN AGREEMENT WITH THE UNITED STATES AND CANADA ON TRANSGENIC PRODUCTS
*NO APPLICATIONS FOR TRANSGENIC EXPERIMENTATION
*AGREED UPON EVALUATIONS IN THE NATIONAL AGRICULTURAL PACT NOT PERFORMED
*USMEF CONDUCTS U.S. PORK NUTRITION SEMINAR AND PRESENTS THE FACTS ON BSE
*SEVERAL GROUPS REINFORCE FIGHT TO REVISE NAFTA
*NAFTA IS NOT A DEVELOPMENT STRATEGY: EXPERTS FROM THE WORLD BANK
*MEXICAN CHOCOLATE, A BITTER STORY
*MEXICO EXPORTS POULTRY MEAT TO JAPAN
*MEXICO IS THE SECOND LARGEST EXPORTER OF BEER TO THE WORLD
*NO JOINT PURCHASING YET FOR THREE MEXICAN SUPERMARKET CHAINS

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

MEXICO AND THE UNITED STATES ABOUT TO REACH A SWEETENER DEAL

The President of the Chamber for the Sugar and Alcohol Industries, Jose Octavio Menchaca, indicated that sugar, corn, and high fructose corn syrup (HFCS) negotiations that began in October 2003 between private sectors from the United States and Mexico are soon to be concluded. These negotiations could lead to an agreement of balanced trade between sugar and HFCS. Menchaca stated that they are not renegotiating the NAFTA chapter on sweeteners, but are using it as a framework of equity and justice. Menchaca added that the volume of Mexican sugar that can be exported to the United States would be determined in a way that doesn't harm their domestic market, as well as the volume of HFCS that is imported into Mexico without damage to the sugar production industry. Menchaca also mentioned that this agreement would result in the removal of the special tax for the use of HFCS in beverages. (Source: *El Financiero*, 2/13/04)

MEXICAN IMPORTS OF U.S. BEEF COULD REMAIN BANNED FOR SIX MONTHS

Javier Trujillo Arriaga, Director in Chief of the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), stated that the Mexican border could remain closed for up to six months and that at this time, there has not been a substitution of the import markets because the supply is expected to be compensated for with other types of meat. The officer also stated that although the United States has already concluded its investigation of the mad cow case in Washington State, Mexico will not open its border to U.S. beef until the United States complies with the six measures they offered to guarantee safe sanitary conditions. (Source: *Once Noticias*, 2/10/04)

EXPORT POULTRY MEAT FROM DELAWARE BANNED

Local newspapers report that Mexico banned the State of Delaware from exporting poultry meat to Mexico due to the avian influenza (AI) outbreak. This state is the ninth to be banned from exporting poultry meat to Mexico due to AI problems. The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) indicated that Mexico is not at risk of being infected because there is a good sanitary control and regulation system for poultry production that keeps the country free of AI. On the other hand, the government announced that they are close to allowing poultry imports from six states within the United States that were banned in 2002 due to AI problems, as soon as they comply with requested information. The President of the Poultry Producers Association (UNA), Cesar de Anda, indicated that domestic supply of poultry meat is guaranteed and that prices for poultry will remain stable at approximately $20 pesos/kg (US$1.77/kg), and eggs will be at about $13 pesos/kg (US$1.15/kg). With respect to the AI issue, SAGARPA indicated that Mexico is not at risk and that the virus type present in Mexico is not the same type as the one in the United States. (Sources: *La Jornada, Reforma, Universal, Excelsior,* and *Financiero*, 2/11/04)

THE GOM LOSES THREE SUGAR MILLS THAT WERE EXPROPRIATED

Grupo Azucarero Mexico (GAM) obtained a court injunction against the Government of Mexico and will get back three of five sugar mills expropriated in September 2001. In August 2003, GAM won the first court injunction and now that the court has ratified it, GAM could demand from the government damages and utilities that the mills generated in the last two years, which are estimated to be approximately US$80 million to US$100 million. The mills that were won back are: Jose Maria Martinez in Jalisco; Lazaro Cardenas in Michoacan; and Benito Juarez in Tabasco. The court will announce the details of the resolution in a week. (Sources: *Reforma* and *Economista*, 2/12/04)

THE GOVERNMENT OF MEXICO ANALYZES SHUTTING DOWN BANCOMEXT

The Government of Mexico is contemplating shutting down Bancomext (National Bank of Foreign Commerce) and Nafin (National Financial Institute) and possibly combine them to create one institution whose mission will be to support the development of new companies. The Vice-President of CONCAMIN (Industry Chambers Confederation), Raul Pickard, stated that within the Ministry of Economy, there are too many development banks and that operation costs will be reduced by having just one institution doing the job. Even though this is just a project being discussed, Mexican businessmen are worried, due to the fact that Bancomext is the only financial institution that helps them to export their products to other countries. To date, the process to shut down Bancomext is only a Presidential instruction and not a decision that has been made. (Source: *El Vigia of Ensenada B.C.N*, 2/10/04)

MEXICO SIGNED AN AGREEMENT WITH THE UNITED STATES AND CANADA ON TRANSGENIC PRODUCTS

According to Greenpeace Director Alejandro Calvillo, Mexico's Secretariat of Agriculture signed an agreement on transgenics with the Governments of the United States and Canada. This agreement opens Mexico's doors to genetically modified products. He also stated that during the negotiation of this agreement, the Mexican Senate was not only ignored but should have approved it. (Source: *La Jornada*, 2/12/04)

NO APPLICATIONS FOR TRANSGENIC EXPERIMENTATION

According to Victor Villalobos, Director of International Matters for the Secretariat of Agriculture, it has been more than three months since the federal government lifted the moratorium on the experimentation of transgenic corn, but a proposal for growing transgenic corn for experimental purposes still has not been approved. (Source: *EL Financiero*, 02/13/04)

AGREED UPON EVALUATIONS IN THE NATIONAL AGRICULTURAL PACT NOT PERFORMED

It was established in the National Agricultural Pact Agreement that the Federal Executive Office would perform evaluations of the effects of the agricultural chapter of NAFTA and the impact in Mexico of the U.S. Farm Bill by the end of 2003. However, the evaluation on NAFTA performed by the University of Chapingo was not complete, and the Farm Bill impact evaluation is still underway. According to the news report, no consultations regarding the uncompleted reports have been undertaken within the different countryside farm organizations. (Source: *Financiero*, 2/10/04)

USMEF CONDUCTS U.S. PORK NUTRITION SEMINAR AND PRESENTS THE FACTS ON BSE

On February 10, 2004, the Mexico office of the U.S. Meat Export Federation (USMEF), conducted a pork nutrition and recipe seminar attended by 150 faculty and students from the Autonomous University of Nuevo Leon in Monterrey. Besides presenting attractive recipes and promoting the attributes of U.S. pork for a healthy diet, the Director of USMEF Mexico presented the facts about BSE and what the USG and U.S. beef industry are doing to strengthen control and preventative measures. USMEF further explained its activities within different sectors of the industry and programs offered to support buyers and suppliers. Routine talks with traders revealed confidence that the market for U.S. beef imports would soon reopen now that the scientific (risk) assessment phase had been completed. (Sources: G. Lozano, Director, USMEF Mexico and ATO Monterrey, 2/11/04)

SEVERAL GROUPS REINFORCE FIGHT TO REVISE NAFTA

Rural organizations and the Catholic Church of Mexico and the United States will reinforce their support to reduce what they consider a negative impact by NAFTA in the rural areas. As a part of the Forum for Agriculture and Free Trade summoned by the Episcopal Commission of Social Pastoral, Catholic Relief Services and the National Rural Catholic Life Conference, these organizations recognize the necessity of a revision and renegotiation of NAFTA's agricultural chapter. (Source: *El Universal*, 2/13/04)

NAFTA IS NOT A DEVELOPMENT STRATEGY: EXPERTS FROM THE WORLD BANK

World Bank (WB) experts recognize that NAFTA may not have automatic benefits for Mexico, but "it is not a development strategy and it demands a complementary national calendar," they said. Specialists Luis Serven and William Maloney, of the Chief Economist's Office for the WB Latin America and the Caribbean Region, presented a report on the trade agreement of Canada, the United States and Mexico during the "Globalization and Problems of Development Forum," in Havana, Cuba. Serven said that one decade is a relatively short time to judge a structural adjustment, however, he defended NAFTA as positive "on the whole." (Source: *La Jornada*, 2/13/04)

MEXICAN CHOCOLATE, A BITTER STORY

It's a bitter story that chocolate, which originated in Mexico, and was supplied to world markets, is now the property of international companies that have taken advantage of the opportunities that this country offers, without facing the obstacles that only exist for Mexican companies, said Raul Pickard, Vice-President of CONCAMIN (Industry Chambers Confederation) and owner of a chocolate factory. Pickard stated that the sad story began in 1994, with the signing of NAFTA, in which the rules of origin require that the raw material used in the production must be of national origin. Mexico produces cacao, which is not locally available to U.S. competitors. But, domestic production is not enough to be competitive, he said. Mexico produces 30,000 tons of cacao per year but companies such as Nestle and Mars require up to 90,000 tons per year each for their production of chocolate confectionery. Mexico must compete in cacao production with countries such as the Ivory Coast, which produces 1.2 million tons per year. However, due to rules of origin, this cacao is not available to Mexican chocolate manufacturers, because the government will not allow its importation in order to protect Mexican cacao producers. Another obstacle is with the importation of sugar and milk, which likewise are sensitive items. Mexican companies must pay approximately 20 percent duties on cacao imports and sugar prices in Mexico have increased 30 percent. In contrast, U.S. companies like Mars and Hershey are exporting finished product to Mexico, labeled in Spanish and these products are not assessed import duties. (Source: *El Vigia of Ensenada, B.C.N,*, 2/10/04)

MEXICO EXPORTS POULTRY MEAT TO JAPAN

According to the press, Mexico is exporting poultry meat to Japan. Due to the outbreaks of Avian Influenza (AI) in Asia, and because Japan stopped poultry imports from the United States, Mexico will take advantage of the opportunity to export chicken breasts and deboned leg quarters to that country. The President of the Poultry Producers Association (UNA) indicated that these shipments are part of a long-term business and export project to have access to other markets. (Source: *Reforma*, 2/10/04) *(Note: According to UNA, there is a sanitary protocol that Mexico signed with Japan about ten years ago. A Mexican company used to export poultry specialty cuts to Japan, but this trade stopped due to a merger. However, with the current AI world situation, poultry trade between Japan and Mexico has resumed. End note.)*

MEXICO IS THE SECOND LARGEST EXPORTER OF BEER TO THE WORLD

The Mexican beer market, shared between the two national giants, Grupo Modelo and Cuauhtemoc Moctezuma, has shown little growth and prompted these two companies to seek export markets. Mexico exported nearly US$1.2 billion in 2003 displacing Germany as the second largest beer exporter. According to the FAO, Holland remains the leading exporter of beer with annual export sales of US$1.3 billion. The emphasis on seeking foreign markets has driven Mexican exports to an annual growth of 9.16 percent during the last four years. Meanwhile, the domestic market has shown growth of just 1 percent. In addition, the two largest domestic brewers leave very little room for the growth of their international “sister” brands. Such is the case of Budweiser (Anheuser-Busch), partners with Grupo Modelo. Even using Grupo Modelo’s own distribution channels, Budweiser has not achieved an important positioning. Heineken is another case that has made a lot of effort to gain a preference among Mexican consumers, with unfavorable results. (Source: *El Norte*, 2/8/04)

NO JOINT PURCHASING YET FOR THREE MEXICAN SUPERMARKET CHAINS

The plans for joint purchasing by three Mexican supermarket chains, Gigante, Soriana and Comercial Mexicana, will not be realized until mid-2004 or later. The Mexican Competition Commission first has to rule on the legality of the proposed joint purchasing company, which is to be called Sinergia de Autoservicios. The Commission is not expected to address this issue until March or April at the earliest. The three supermarket chains formed Sinergia de Autoservicios to provide improved economies of scale, which will hopefully allow them to compete with Wal*Mart, the largest retailer in Mexico. (Source: *El Financiero*, 2/10/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4021	Weekly Highlights & Hot Bites Issue #6	2/10/04
MX4022	Delaware Banned to Export Poultry Meat to Mexico	2/11/04
MX4023	New Jersey Banned from Exporting Poultry Meat to Mexico	2/17/04

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